



Southern Arizona Home Builders Association

**Southern Arizona
Home Builders
Association**

2840 N. Country Club Road
Tucson, Arizona 85716
Phone: (520) 795-5114
Fax: (520) 326-8665
Web: www.sahba.org

Interim President
Art Flagg

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Michael Whyde
Pepper-Viner Homes

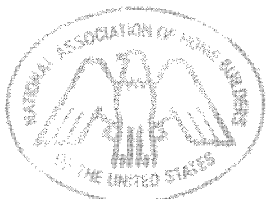
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August 6, 2009

The Honorable Kristin Mayes, Chair
The Honorable Sandra Kennedy
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Arizona Corporation Commission
1200 W. Washington
Phoenix, Az. 85007
AZ CORP COMMISSION
DOCKET CONTROL

RE: Arizona Public Service Company Docket E-01345A-08-0172

Dear Chairwoman Mayes and Commissioners:

On behalf of the Southern Arizona Home Builders Association, I am writing to respectfully request that the Commission use the pending APS Rate Case Settlement to address the unintended consequences of new Line Extension Policies for electric utilities.

While the current debate on this issue has focused on "free footage allowances," the new policies have other more onerous effects including elimination of refundable cash deposits, the ability to defer payment with a letter of credit, elimination of free installation of transformers and overhead feeders, and (in the case of TEP) a 65% gross-up tax.

Based on initial feedback from builders within the TEP service area they will see a cost increase of 400% to bring their new projects online. The estimated per lot increases range from \$5,000 on the low end to nearly \$40,000 on the high end depending on the location of project, number of lots and size of lots.

There is no doubt the new Line Extension Policy for TEP, APS and Trico will suppress economic growth. Without growth and development, this unreasonable rule will further cripple Arizona's housing industry that will, in turn, further de-stabilize our state government's ability to achieve a balanced budget.

For decades, the existing policy worked well since it was based on the core principles of minimal, shared risk. Under that scenario, builders, the utilities, and the state benefitted as new residential customers were placed into service.

Arizona's real estate industry is already struggling and the new policy creates an additional, huge economic hardship on both builders and consumers. The new Line Extension Policies will make it more expensive to construct new homes and will be a disincentive to the establishment of new businesses.

The Commission has the opportunity to address this critical issue, by reinstating the previous Line Extension Policies during the APS Rate Settlement Case.

Thank you for your consideration,

Art Flagg
Art Flagg, Interim President

Southern Arizona Home Builders Association

Arizona Corporation Commission
DOCKETED

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